



ARIZONA DEPARTMENT OF ECONOMIC SECURITY

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Director

November 25, 2002

WIA GUIDANCE LETTER #18-02

**THIS GUIDANCE LETTER SUPERSEDES WORKFORCE INFORMATION MEMO (WIM) #03-01
DATED 6/12/01**

SUBJECT: State Incentive Policy for Local Workforce Investment Areas (LWIAs) under the Workforce Investment Act for PY 2001

REFERENCE: P.L. 105-220, §134(a)(2)(B)(iii) of the Workforce Investment Act (WIA); Subpart B, §665.200(e)(1)(2)(3) of WIA Final Rules dated August 11, 2000; Workforce Information Memo #03-01 dated June 12, 2001

BACKGROUND: WIA has given Local Workforce Investment Boards (LWIBs) increased authority and flexibility to design Workforce Development strategies that meet local and regional needs, as well as enhance program performance. The best evidence of this comes in the form of Federal Incentive Grants that reward both exemplary programs and exemplary collaborations to meet shared workforce investment objectives. Each program year, the Governor's Council on Workforce Policy (GCWP) earmarks a portion of the state's set-aside funds for the incentive grant awards as required under the Act. At the November 2001 meeting, the Governor's Council voted to allocate \$1,259,200 for this purpose.

As you are aware, there are two methods through which the incentive funds are awarded. Method I awards incentive funds to local workforce investment areas (LWIAs) that meet or exceed their negotiated levels of performance for LWIAs fifteen core performance measures, plus the two customer satisfaction measures. The state has appropriated 30% of the total incentive set-aside, or \$377,760 for Method I awards. Method II awards incentive funds for exceptional collaborative efforts among LWIBs, and for exceptional local coordination efforts to deliver WIA services. The state has appropriated 70% of the total incentive set-aside, or \$881,440 for Method II awards.

The maximum award amounts for each local area for Method I and Method II incentives are determined by employing the same formulas used for allocating WIA Title IB funds. However, for any local area that received less than 3% of the in-state Title IB formula allocation, *no less than 3% of the incentive distribution will be apportioned to that local area for both the Method I and the Method II awards.* **Enclosure I** of this letter details the 30% Method I incentive allocations per LWIA. **Enclosure II** of this letter details the 70% Method II incentive allocations per LWIA.

In our efforts to continually ensure that the Method I and Method II application processes adequately capture local area program performance, as well as collaborative strategies, the state recently solicited comments and recommendations from the LWIAs concerning the PY 2001 processes. As a result, both Method I and Method II application processes were revised somewhat. For Method I, incentive awards will be based upon the extent to which an LWIA exceeds performance in the following four core categories: adults, dislocated

workers, older youth, and younger youth. Award of Method I incentives will also be contingent upon the extent to which the state exceeds customer satisfaction among WIA exiters and employers. This approach allows local areas to receive some incentive funds, even though performance may not have been exceeded across all program categories.

NOTE: For the adult, dislocated worker, older youth, and younger youth core categories, an LWIA *must* "meet" every measure in a performance category to qualify for an incentive award for that category. This means that an LWIA must achieve 80% - 100% of its negotiated level of performance for every measure in a core category to qualify for an incentive award for that category. Incentive awards will then be granted to an LWIA based on the number of measures within each performance category that the LWIA "exceeds," that is, those measures for which the LWIA achieves 101% or more of the negotiated performance level. Incentive awards for customer satisfaction (exiter and employer satisfaction) will be based on the state's overall performance index as negotiated with the Department of Labor.

For all performance categories, as well as the customer satisfaction measures, awards will be distributed according to the "Adjusted Cap %" shown on Attachment I (30% Incentive Allocation for Method I) of this letter.

For Method II, language in the application for LWIB collaboration/local coordination activities places greater emphasis on service delivery through strong linkages that re-orient programs toward innovation, a broader client base, and greater systems integration. As WIA re-authorization approaches, cooperative arrangements among agencies within and beyond the One-Stop system play an integral part in moving re-authorization forward at both the federal and state level. On September 4, 2002, all LWIA Program Directors and the thirteen Tribal Program Directors were e-mailed the Method II incentive application for WIA PY 2001. The deadline for submittal of Method II applications was October 31, 2002 and as of that date, we received applications from eight LWIAs.

ELIGIBILITY FOR METHOD I INCENTIVE AWARDS

As described above, Method I incentive awards are based on five performance categories: adult, dislocated worker, older youth, younger youth, and customer satisfaction. **Each of the five performance categories is assigned \$75,552 or 20% of the total Method I Incentive Award of \$377,760. Further, the \$75,552 assigned to each category will be subdivided by the number of performance measures within each category.**

The following examples illustrate how the dollar amount of an award is determined based on a specific performance category:

EXAMPLE A:

Within the Adult Performance Category, there are 4 performance measures: (1) Entered Employment, (2) Employment Retention, (3) Earnings Gain, and (4) Employment + Credential.

If an LWIA qualifies for an incentive award in the Adult category and exceeds 1 measure out of the 4 adult measures, then the total incentive funds awarded to the LWIA = $1/4$ (or 25%) x \$75,552 x % of Method I Adjusted Cap to the LWIA.

Exceeding 2 out of the 4 adult measures would equal:
 $2/4$ (or 50%) x \$75,552 x % of Method I Adjusted Cap for the LWIA.

Exceeding 3 out of the 4 adult measures would equal:
 $3/4$ (or 75%) x \$75,552 x % of Method I Adjusted Cap for the LWIA.

Exceeding 4 out of the 4 adult measures would equal:
 $4/4$ (or 100%) x \$75,552 x % of Method I Adjusted Cap for the LWIA.

EXAMPLE B:

Within the Younger Youth Performance Category, there are 3 performance measures: (1) Skill Attainment, (2) High School Diploma or Equivalent, and (3) Retention.

If an LWIA qualifies for an incentive award in the Younger Youth Category and exceeds 1 measure out of the 3 younger youth measures, then the total incentive funds awarded to the LWIA = $1/3$ (or 33.3%) x \$75,552 x % of Method I Adjusted Cap for the LWIA.

Exceeding 2 out of the 3 younger youth measures would equal:
 $2/3$ (or 66.6%) x \$75,552 x % of Method I Adjusted Cap for the LWIA.

Exceeding 3 out of the 3 younger youth measures would equal:
 $3/3$ (or 100%) x \$75,552 x % of Method I Adjusted Cap for the LWIA.

Enclosure III is a chart that delineates each of the five performance categories and the measures within each category that will be used to determine the total Method I award earned by each LWIA. The chart's column labeled "Time Frame Used for Collection of Data" alludes to the period of time the state uses to examine cumulative performance for each measure for WIA PY 2001. Workforce Development Administration (WDA) will notify each LWIA of its Method I award by December 31, 2002.

ACTION REQUIRED: Please review the enclosed allocation charts. If you have questions, please contact Ms. Pat Gregan, Manager of Planning and Program Development at (602) 542-3957.

Sincerely,

David R. Ellis
Program Administrator (Interim)
Workforce Development Administration

DRE:PG:kds

Enclosures (3)

ATTACHMENT III

PY 2001
METHOD I
INCENTIVE AWARDS CHART

<u>PERFORMANCE CATEGORY</u>	TIME FRAME USED FOR COLLECTION OF DATA: BASIS OF ANNUAL REPORT FOR PY 2001	TOTAL INCENTIVE FUNDS ASSIGNED TO EACH PERFORMANCE CATEGORY
ADULTS		\$75,552
Entered Employment	10/1/00 through 9/30/01	
Employment Retention – 6 Months	10/1/00 through 9/30/01	
Earnings Change in 6 Months	10/1/00 through 9/30/01	
Employment + Credential ¹	10/1/00 through 9/30/01	
DISLOCATED WORKERS		\$75,552
Entered Employment	10/1/00 through 9/30/01	
Employment Retention – 6 Months	10/1/00 through 9/30/01	
Earnings Replacement in 6 Months	10/1/00 through 9/30/01	
Employment + Credential ¹	10/1/00 through 9/30/01	
OLDER YOUTH		\$75,552
Entered Employment	10/1/00 through 9/30/01	
Employment Retention – 6 Months	10/1/00 through 9/30/01	
Earnings Change in 6 Months	10/1/00 through 9/30/01	
Credential Rate ¹	10/1/00 through 9/30/01	
YOUNGER YOUTH		\$75,552
Skill Attainment Rate ²	7/1/01 through 6/30/02	
Diploma/Equivalent Attainment Rate ³	7/1/01 through 6/30/02	
Retention Rate	10/1/00 through 9/30/01	
CUSTOMER SATISFACTION		\$75,552
Employers ²	7/1/01 through 6/30/02	
Exiters ⁴	7/1/01 through 9/30/02	
30% TOTAL STATE ALLOCATION – METHOD I		\$377,760

FORMULA FOR DETERMINING INCENTIVE AWARD FOR A PERFORMANCE CATEGORY:

No. of Performance Measures Exceeded _____ X \$75,552 X % Method I Adjusted Cap for LWIA
No. of Measures in a Performance Category
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<sup>1</sup> Although a credential can be obtained at any time during program participation, this is an *exit based measure*, which means the outcome is not reported until after exit. (The deadline for participant attainment of a credential is the end of the third quarter after exit.)

<sup>2</sup> These measures are *not exit based*. Outcomes are included in performance measurement as they occur during the program year being examined.

<sup>3</sup> Although a diploma or its equivalent can be obtained at any time during program participation, this is an *exit-based measure*, which means the outcome is not reported until after exit. (The deadline for participant attainment of a diploma or its equivalent is the end of the first quarter after exit.)

<sup>4</sup> The customer satisfaction measure for WIA exiters includes the program year being examined, plus the succeeding quarter to account for "soft exits" (i.e. those participants who have not participated in WIA activities for a period of ninety (90) days and with whom the LWIA has lost contact.